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Economic Times

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Editor's Note

This month, more than usual, our stories are devoted to issues that face the economy over the long term. First, our Colloquium addresses the question directly, that is, what we can do to persuade Americans to take a longer view when making economic decisions. Then Walter Olson looks at the trend toward using litigation as a tool of public policy. (I hope readers will understand that although this article takes a negative view of excessive litigation, we are not engaged in "lawyer bashing." After all, some of my best friends are lawyers.)

Next, Ed Banfield examines the tendency for the growing middle class to moralize about and try to reform the American political system. I'm sure many readers will, as I did, recognize themselves (in part at least) in Banfield's description. Then you'll find a very quotable quote from Allan Meltzer. And, as always, we conclude this issue of *Economic Times* with the Stat File and Crystal Ball.

Ed Fiedler

Maxim of the Month:

How is the world ruled and how do wars start? Diplomats tell lies to journalists and then believe what they read.

Karl Kraus

A Billion A Day—Who, *Me* Worry?

The budget deficit is headed for new heights this year, more than $1 billion per day. But with the economic recovery odiously feeble and politicians focusing on such re-election pleasantries as middle class tax cuts, worries about the budget deficit have been forgotten. Is this attitude justified? Or are the deficits worth worrying about?

The answer is a decisive *yes and no*. If your focus is on 1992 and 1993, and you're worried that the mammoth borrowings to finance the deficits will send either inflation or interest rates surging to threatening levels—well, in that case, no, don't worry. No need for anxiety, because when the economy is weak there's plenty of unused capacity available in both the product and credit markets to finance big deficits without putting pressure on either inflation or interest rates.

But if your horizon is not just a year or two, but is rather the next decade or two, then the massive deficits we pile up year after year are indeed worrisome. The chart below shows recent deficit projections made by the Congressional Budget Office (with minor adjustments by The Conference Board) covering the next ten years. These projections assume that the 1993-94-95 spending limitations incorporated into the Budget Enforcement Act of 1990 (which require further cuts) are maintained. They assume no tax cuts. And they assume no new medical programs or any further expansion of existing programs. Consequently, chances are fairly high that the deficit will prove to be larger than the CBO now projects. Yet even with these conservative assumptions, the deficits do not disappear after a few years—as once was typical. Instead, they continue in the neighborhood of 3 percent of GDP through the middle of the decade, and then climb gradually to about 4 percent.

What damage do these deficits inflict? Every dollar of private saving needed to finance the deficits is a dollar not available to equip our labor force with the more sophisticated tools needed to improve productivity and raise the living standards of future generations.

Even before the deficits became large and chronic, the United States was a low-saving, low-investment, slow-growth economy. If now the budget deficits preempt a major fraction of our limited net saving and investment decade after decade, the worry is that we may become a still slower growth economy, possibly even a no-growth economy.

U.S. Budget Surplus and Deficit, 1956-2002

(Percent of GDP; standardized employment basis; excludes deposit insurance and Desert Storm)

Source: OMB, CBO and TCB estimates.

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Colloquium: Taking the Long View

Background:

We Americans are accused of being habitually shortsighted. When making economic decisions—whether as consumers, workers, managers, investors, or politicians—we rarely take the long view. This pervasive, structural, near-horizon orientation is, in turn, blamed for our slim levels of saving and investment, high cost of capital, adversarial workplace relationships, and other economic conditions that corrode our international competitiveness and stunt our long-term growth in living standards.

Question:

What, if anything, should be done to encourage Americans to take a longer view when making economic decisions?

James Tobin
Yale Univesity

Maybe nothing *can* be done. TV culture glorifies winning games, driving fast, living high. Scattered suggestions: limit tax deductibility of advertising; tax institutional portfolio churning; lower capital gains taxes and raise loss offsets with duration of holding; keep CEOs off each others' boards; tax gasoline $1 a gallon; recruit ex-Soviet scientists and engineers; let students "pay later" for higher education proportionally to their career incomes.

Murray L. Weidenbaum
Center of the Study of American Business

Most Americans take as long (or short) a view as makes sense to them. Unfortunately, many of the groundrules set by government encourage a short-term orientation. Shifting the federal revenue structure from taxing income to taxing consumption would stimulate more saving and investment, while leaving the choice to individuals and enterprises. Moreover, it is laughable for the world's biggest dissaver (Uncle Sam) to tell citizens to think more long-term and consume less.

Isabel V. Sawhill
The Urban Institute

Americans are not by nature, myopic. But the way we govern ourselves is. The average citizen, whether as voter or as shareholder, cannot make informed decisions on the complex issues of national or corporate governance. These decisions must be delegated to our elected representatives—whether in Congress or on corporate Boards of Directors. We should look hard at the governance process in both areas; it needs strengthening.

Robert G. Dederick
The Northern Trust Company

If Americans don't want to take a longer economic view, that's their business. I am aware of no law to the contrary. If, in the end, they don't like the results, they no doubt will change their ways without any help from economists. Since there *does* appear to be a law, though, that requires economists to impart wisdom on all subjects nowadays, I will suggest one obvious approach: the removal of the various, well known tax-law-induced impediments to saving and investment.

Members:

Members of The Conference Board Economics Colloquium are: Stephen H. Axilrod, Vice Chairman, Nikko Securities International; Andrew F. Brimmer, President, Brimmer & Company; Don R. Conlan, President, Capital Strategy Research; Robert G. Dederick, Executive Vice President and Chief Economist, Northern Trust Company; John T. Dunlop, Lamont University Professor Emeritus, Harvard University; Lyle E. Gramley, Senior Staff Vice President & Chief Economist, Mortgage Bankers Association; Isabel V. Sawhill, Senior Fellow, The Urban Institute; Charles L. Schultze, Senior Fellow, The Brookings Institution; James Tobin, Sterling Professor Emeritus, Yale University; Laura D'Andrea Tyson, Professor of Economics, University of California, Berkeley; Charls E. Walker, Chairman, Charls E. Walker Associates; Murray Weidenbaum, Director, Center for the Study of American Business; Albert M. Wojnilower, Senior Advisor, First Boston Corporation.

The "Invisible Fist" of Litigation

by Walter Olson

Stuck in rush-hour traffic? Kept awake by teenagers drag-racing down Main Street? Fender dented by a careless driver at the mall? In 1976, Beverly C. Moore, Jr., a "public interest lawyer," and Fred Harris, former Democratic senator from Oklahoma and presidential-candidate-to-be, proposed an ultimate if drastic answer to these familiar car-related woes: file a lawsuit—not against your fellow drivers, but against Detroit (and, these days, Yokohama) for not designing automobiles that would prevent these ills. The way to make society safer, cleaner, and quieter, they argued, was to make business enterprise legally responsible for the full measure of risk, grime, and distraction entailed by its output.

> If the automobile industry were saddled with an annual damage liability of perhaps $100 billion for accidents, air pollution, noise, congestion, and highway and traffic-control costs, and were forced to raise its prices by that amount, it would have no choice but to redesign its vehicles to minimize these costs and their associated liabilities.

The beauty of the idea, in their view, lies in its harnessing of market mechanisms to solve otherwise intractable social problems. After all, "if the profit motive helps reduce the costs of the beneficial products of our economy, it can be enlisted to reduce the harmful by-products." What could be more sensible?

Bizarre as it may seem, Moore and Harris's idea should not be ignored. It serves as a specimen, admittedly extreme, of thinking that is routinely invoked to justify not only lawsuits against manufacturers but lawsuits of almost every other kind as well.

It might be called the invisible-fist theory. In Adam Smith's famous account, self-seeking butchers and bakers are led as if by an invisible hand to further the general welfare; private striving leads to public benefit. The modern legal counterpart holds that private quarreling leads to public benefit. The more scrutiny the courts apply to the conduct of others, the better everyone will behave. In short, the more suits filed, the better off the world will be.

The Attractions of Deterrence

Moore and Harris concisely express the theory's major premise when they write that the main purpose of a system of civil litigation is "deterrence—i.e., discouraging the injurious conduct that gives rise to litigation." By imposing liability on people or institutions that could have prevented harm, society gives them "a profit incentive to reduce the magnitude of the harms they cause." In reality, of course, many if not most such lawsuits arise from situations where the proper focus of control over the harm is not clear. If someone buys household lye and then inadvertently hurts himself with it, for example, it is far from clear that he was harmed, without agreeing or consenting, by the manufacturer. Arguably the real imposition arises only afterward, in the opposite direction—when the buyer uses the courts to recover money from the lye maker.

In any case, the deterrence premise is offered to justify virtually every kind of lawsuit in American courts today. The victim mugged in a parking lot or dormitory sues the supermarket or university for "negligent security"—not, ostensibly, to make a fast buck, but to ensure that such safety lapses never happen again. The bartender or private party-giver who lets a guest drive away tipsy gets sued to encourage other hosts and servers—though not other guests, of course—to be more careful in the future. Tobacco liability, it is said, will drive up the price of a pack of cigarettes to reflect the full harm that they do. A spokesman for the Center to Prevent Handgun Violence calls for making gun manufacturers liable to shooting victims so that "those who profit from dealing in these death machines...pay for their inevitable social cost."

Hardly anyone makes it clear, however, exactly where the boundaries to this theory lie—if anywhere. Moore and Harris had a list of twenty-four broad categories of ills to which human flesh is heir, and of corresponding business and professional defendants whom they would require to fork over cash on the barrelhead in compensation.

The usual suspects—tobacco companies, polluting industries—are, of course, in evidence. But Moore and Harris would also make producers of sugar- and fat-laden foods legally responsible for a wide range of maladies, from tooth decay to adult-onset diabetes. Automakers would be tagged with the cost of every highway collision. The makers of ordinary household products involved in accidents, from beds to bicycles, would share a similarly expensive fate.

What about mishaps that arise from user carelessness or deliberate misuse? Or the inevitable side effects of, say, valuable prescription drugs? No reason for business to be let off the hook in either case, said Moore and Harris. If drug makers were made fully liable for overdoses and side effects, for example, "it can be safely predicted that the industry would develop effective mechanisms to ensure that many or most such cases are in fact avoided."

Whatever might happen to every other industry in the squabbling over these issues, one would be sure to thrive: the litigation industry. By even a conservative tally, the annual redistribution would be well over a trillion dollars. The billable hours for the legal profession would also have mounted fast, as would the contingency fees.

Learning to Love Litigation

In recent years we have begun to conceive of lawsuits primarily as vessels for "deterrence," and policy making. This is a significant departure from the past. Our legal tradition used to view lawsuits as an evil, at best a necessary evil. Litigiousness was a form of bullying.

The law accordingly used to maintain barriers that deterred people from bringing anything short of a strong and definite grievance to court. Ethical controls discouraged lawyers from "stirring up" litigation. Procedural rules assigned many costs of litigation to those who wanted to initiate or prolong it, rather than to its targets alone. Evidence rules discouraged doubtful, speculative claims. Once litigation was reconceived as a productive, socially beneficial activity, these rules ceased to make much sense. If a product is wholesome and desirable, how better to get it churned out in quantity than by freeing its producers from archaic restrictions? So American legal reformers set about to deregulate the practice of suing people.

Rules against advertising and solicitation by lawyers were eliminated. Parents of children with birth defects were soon being approached by attorneys who urged them to sue doctors and hospitals; crime victims were contacted with the happy news of their right to sue businesses for "negligent security." As early as 1975 one new legal ethicist was writing of a "professional responsibility to chase ambulances."

The trend encouraging litigation was broad in scope. Civil procedure was revamped to make it easier to file a suit and harder to get one dismissed. Other changes shifted burdens from those wishing to tie up others in court to those wishing to stay out. Meanwhile, the rewards for suing and penalties for getting successfully sued—in the form of damages—were being raised dramatically. More chances were created for plaintiffs to recover triple or punitive damages.

The invisible-fist theory says: The more suits filed, the better off the world will be.

Class actions, Moore and Harris's preferred vehicle for suits against businesses, were likewise helped along by various changes. In many of these suits lawyers emerged as the real players, with clients reduced to figure-head roles. Soon "private attorney general" and "citizen suit" statutes began to authorize lawyers to wage suits purely and openly on their own behalf, for ideology, profit, or both. The invisible-fist theorists found this a welcome streamlining of the deterrence process. The point, after all, was not so much to give pleasure to any particular client as to give pain to the defendant.

The Costs

Litigation is enormously costly. When people file lawsuits or resist valid suits, they dump terrible costs on their opponents. The financial costs of response, often thoroughly ruinous, are just the beginning. The suspense and uncertainty of litigation are destructive in themselves, as litigants learn when they apply for loans or are forced to sell their homes at distress prices. Lawsuits tend to be miserable experiences on a personal level as well, setting people against each other in bitter acrimony. Privacy is sacrificed as parties answer probing questions under oath.

Among the costs of courtroom processes should also be reckoned their error rate. Litigation over the drug Bendectin, used safely for decades against morning sickness in pregnancy, illustrates this. Leading scientific authorities agree that Bendectin does not cause birth defects. Most American courts have agreed, but a few juries have voted the other way. The makers of Bendectin, observing this inconsistency, offered well over $100 million to settle a 1,000-case consolidated action. (Dissident plaintiffs' lawyers torpedoed the offer and insisted on going to trial, where they lost outright and got nothing.) That $100-million offer represented in large measure the chance that juries would misunderstand the facts about the drug. If the stakes are high, an entire litigation industry can prosper simply by speculating on the likelihood of the errors occasionally committed by juries.

Other countries' legal systems seek to curb the heedless imposition of these costs. But because America by and large fails to recognize a right to redress for wrongful litigation, most prevailing plaintiffs suffer along with most prevailing defendants. Many valid, airtight claims trade for less than their dollar value on the settlement market and others cannot economically be pressed at all. Meanwhile—in seeming, but not real, paradox—plaintiffs with weak, speculative cases can frequently win large settlements, mostly because of defendants' eagerness to avoid being tied up in court.

What has emerged quite predictably from all of this is an industry devoted to identifying chances to sue and maximizing profits from the resulting suits. Collectively, the industry has cyclical ups and downs like any other, but over the long run it careens toward maximum output. The "invisible fist" theory incorporates no limits.

Excerpted from *The Public Interest*, Spring 1991. Walter Olson is senior fellow at the Manhattan Institute and author of *The Litigation Explosion: What Happened When America Unleashed the Lawsuit* (E.P.Dutton/Truman Talley Books).

The Middle Class Reformer and American Government

by Edward C. Banfield

In my view, the feature of the American political system that is most useful in explaining it is the extreme fragmentation of formal authority. Many consequences follow this, the most obvious perhaps being widespread participation in the day-to-day conduct of government.

In other democracies it is taken for granted that the people will give or withhold consent at intervals and that in the meantime the government, so long as it has a working majority in parliament, has the exclusive power to make and implement plans. Rule by the people, by contrast, necessitates creating a sufficient coalition of powerholders issue by issue.

In such a system, the function of the politician is to find the terms on which the many holders of bits and pieces of power will collaborate: he is a broker who arranges deals in this way. Obviously his talents and skills are very different from those of the statesman, whose function is to discern the content of the common good and to devise strategies for securing it. Although they are analytically unalike, the politician and the statesman may be concretely the same: no one will doubt that Lincoln, for example, was both a politician and a statesman. It will be seen, however, that it is in the nature of rule by the people (as opposed, say, to parliamentary democracy) to make more use of politicians than of statesmen.

Rule by the people allows no place for the making and carrying out of comprehensive, internally consistent plans. Planning in this sense is incompatible with the character of a highly fragmented political system. To be sure, the universities give degrees in planning, and there are countless governmental planning bodies, most of which produce documents called plans. When government acts, however, it is not on the basis of these plans; rather it is on the basis of compromises that have been reached among competing interests. Government by compromises often leads either to stalemate or to outcomes that are indefensible from a public standpoint. Such outcomes often impose very high costs upon those most affected, and, what is worse, they raise doubts about the ability of the government to meet emergencies of a kind that require an internally consistent line of action.

Taking the pluses and the minuses into account as best I can, it seems to me that government by compromise is a luxury that democracy can and should afford except possibly in the gravest emergencies of war.

The citizen is rarely a very competent ruler. As Joseph Schumpeter remarks in *Capitalism, Socialism, and Democracy*, when he deals with public as opposed to private affairs, the individual's sense of familiarity and responsibility is usually much reduced. Acting without any immediate responsibility for the outcome, the citizen is apt to show naivete in three contexts that are of particular interest here.

First, he will probably favor any changes that are likely to make the political system more democratic. The democratic ideal allows for the exercise of only such power as arises from reasonable discussion about the common good in which all participate; all other forces of power are incompatible with the ideal and should therefore (the citizen is apt to think) be eliminated. The ideal, however, is unrealizable: government cannot operate solely on the basis of reasonable discussion, and the elimination of illicit sources of power will, if carried far enough, render it ineffective.

Second, the citizen is likely to overlook the systemic character of institutions and to suppose that an intended change can be effected without giving rise to consequences that are neither intended nor wanted. A political system, however, is a set of relationships such that a disturbance at one point in the system is felt throughout it and may change its entire character. It is naive for a reformer to think that he can change one feature of a system without affecting others or to ignore the real possibility that in improving matters in one respect he may unwittingly make them worse in other, perhaps more important, aspects.

Third, the citizen is prone to assume that the morality appropriate to personal relations (with family, friends, neighbors, and business associates) is also appropriate to affairs of state. I contend that this is mistaken simplicity.

The growing American middle class, i.e., those persons who expect to send their children to college or who have attended college themselves, has a special ethos. Whether because of their interest in formal education or for other reasons, middle-class people tend to take more account of the future than do working-class people, to have more interest in public affairs, to be more willing to make small sacrifices of private for public interest, and to participate to a greater extent in public affairs.

One might infer from this that continuing "middle classification" will eventually immunize public opinion against the kinds of naivete that I have described. On the contrary, in my judgment, the middle class, especially its higher reaches, has as stronger attachment to the democratic ideal than does

the working class and a more unquestioning faith that good intentions will produce good consequences. Confident that goodwill and expertise can solve, or at least alleviate, all social problems, a middle-class person is likely to feel a positive obligation to undertake reform no matter what the costs.

The typical middle-class reformer has undue confidence in the use of social science and of organized knowledge generally. He fails to see that the problems of society are at bottom moral and political, arising from the differences of opinion as to what is and, especially, as to what ought to be. Insofar as such problems are solvable, it is by discussion, bargaining, and struggle; to try, as the reformer is prone to do, to substitute information for wisdom is likely to exacerbate rather than alleviate these problems, which arise from the nature of man and in one form or another are ineradicable.

While failing to recognize the essentially moral nature of social problems, the reformer is given to moralizing about them, and this is worse than futile. The moralizer urges as a basis of action moral principles or standards that cannot be applied in the circumstances in which action must be taken: he averts his gaze from the facts that constitute the problem while advocating what, if the situation were different, would be a right course of action.

It should be emphasized that the reformist impulse exists among conservatives as well as liberals. Even among conservatives of the libertarian variety—perhaps especially among them—there is a distaste for politics and compromise, a persistent effort to substitute for it a system of rules adherence to which will produce "welfare" ("the public interest"), and a characteristic confidence in the efficacy of information as opposed to wisdom. Like the liberal, the conservative reformer wants to break up concentrations of government power. Ironically, the efforts of both lead, albeit in somewhat different ways, to increasing the concentrations.

In my view, the reformer-moralizer constitutes a serious problem for rule by the people. For one thing, he recommends measures that cannot work and are apt to make matters worse. For another, he blames "society" for its failure to do the undoable and by so doing he creates disenchantment, cynicism, and mutual distrust: in short, he undermines the consensual basis of the society.

Excerpted from the author's introduction to the second edition of *Here the People Rule: Selected Essays*, The AEI Press, American Enterprise Institute, Washington, D.C. Edward C. Banfield is professor of government emeritus, Harvard University.

Quotable Quote

Stimulate Growth, Not Just Recovery by Allan H. Meltzer

Although there are regions of the country with serious distress, our main economic problem today is not the current recession; it is the slow average growth of per capita income for the past twenty years. Average compensation per hour, adjusted for inflation, increased only 3 percent in the sixteen years ending in 1989, after increasing more than 30 percent in the previous sixteen years. The principal reason behind the slow growth of middle class income is the slow growth of productivity.

Several bills recently introduced in Congress seek to change the income distribution by reducing taxes on middle income families. These proposed tax changes reflect a misperception of the problem. To raise incomes permanently for the middle class, and all other productive people, we must raise productivity to increase output and incomes. There is no magic pill or quick fix to do that. Productivity growth in the aggregate depends on investment in physical capital and in education. People with better tools and equipment produce more. People with better education think of ways of improving either the tools or the way they are used.

Tax policy can increase productivity by increasing investment, which we do by raising the after-tax return to investment. One thing we could do is replace taxes on income with taxes on spending. That would remove taxes from saving and thus encourage saving and productive investment. Substitution of a spending tax for the personal income tax would leave the budget deficit unchanged. Over time, higher investment would raise productivity, income, spending, and tax revenue.

An alternative would be to allow business to take all investment spending as a deduction from income. This immediate write-off of capital costs would encourage development of old and new capital-intensive industries. The jobs that would be created would have higher productivity, thereby raising the growth rate of family income.

The administration and the Congress should opt for the long-term solution, not the quick fix.

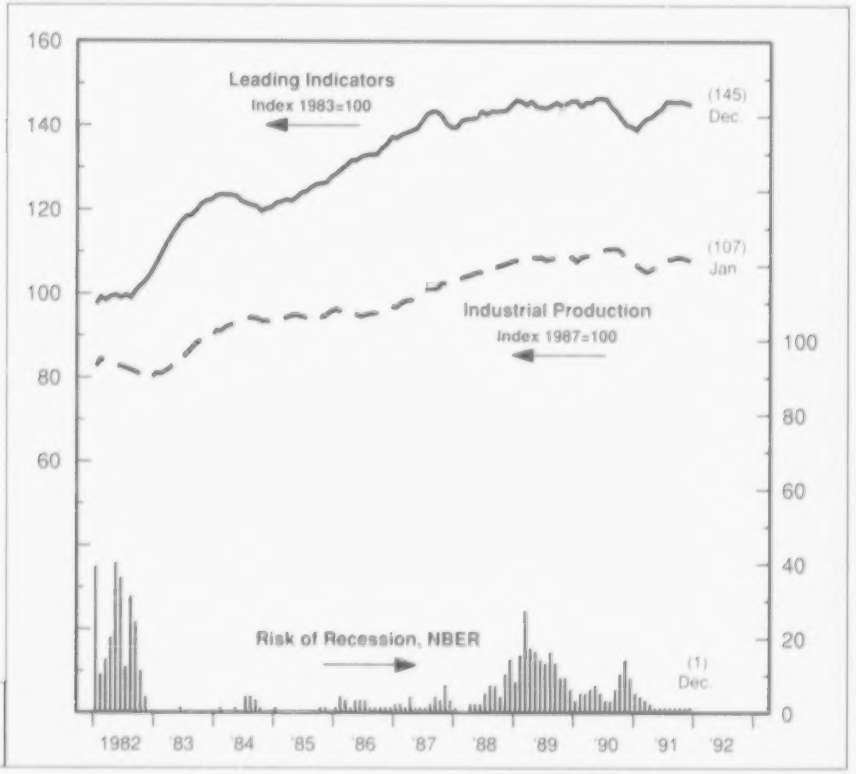
Excerpted from testimony delivered before the U.S. House of Representatives Committee on Ways and Means, December 17, 1991. Allan H. Meltzer is visiting scholar at the American Enterprise Institute and Olin Professor of Political Economy and Public Policy at Carnegie Mellon University.

Conference Board Stat File

Decisively Ambiguous

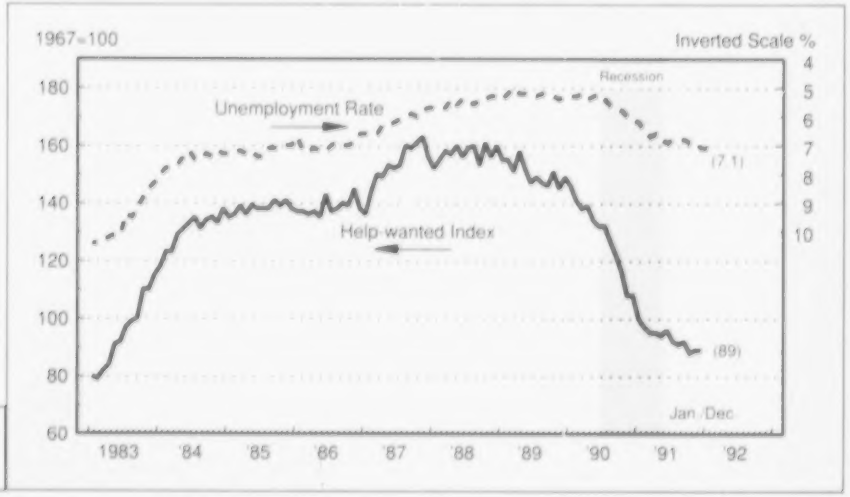
Again this month the statistical series charted on these pages present a mixed picture, fairly well balanced between optimism and pessimism. At latest count the inflation numbers have improved further, but the consumer expectations index has dropped still deeper into recession territory. The most recent report on executive confidence, however, remains above the mid-point, a reading that was confirmed at February meetings Conference Board economists attended with groups of CEOs, CFOs and business economists. The tenor of those meetings, although not optimistic, conflicted markedly with the deep gloom of the general public. The executives left the impression that "we can live with this" rather than "fear of falling." On balance, however, the economic signals remain decisively ambiguous. *(Note: Data for Conference Board series in this section are available on request from Ken Goldstein at 212-339-0331).*

Early Warning Indicators



Cyclical indexes giving off no signal at all.

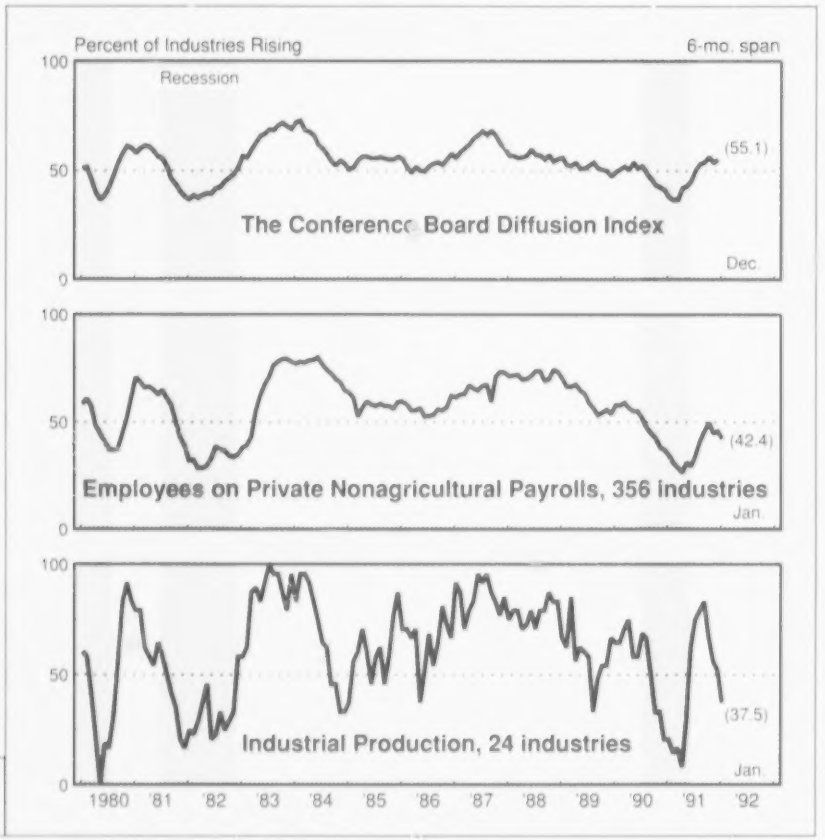
Help-Wanted Advertising and Unemployment



Labor markets still weak.

Conference Board Stat File

Indexes of Economic Momentum

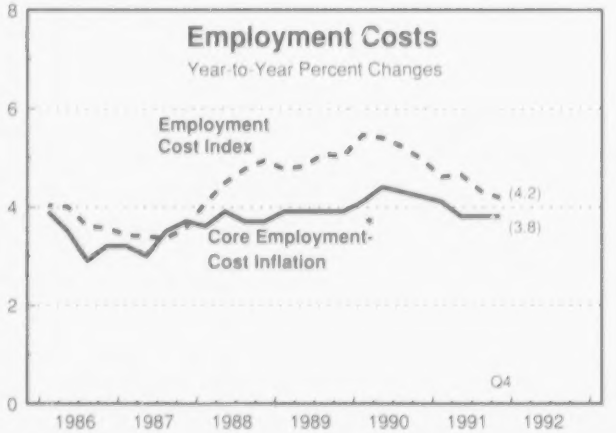


Momentum slowing.

Core price inflation below 4 percent for the first time in years.

Inflation Fundamentals

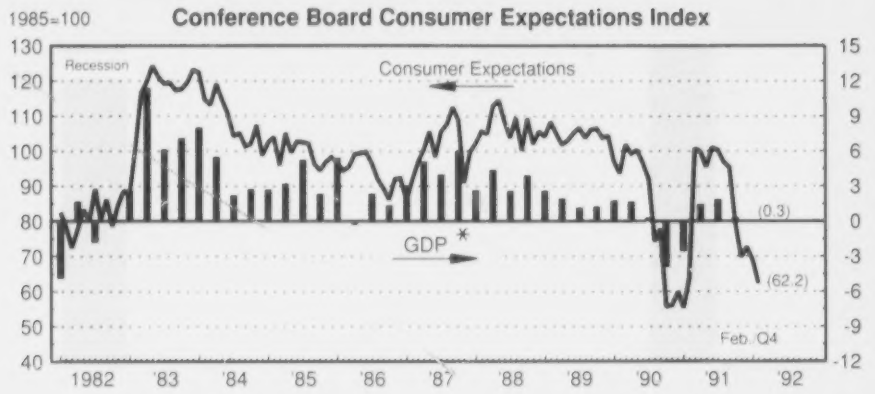
* Core Inflation = CPI excluding food at home and energy.

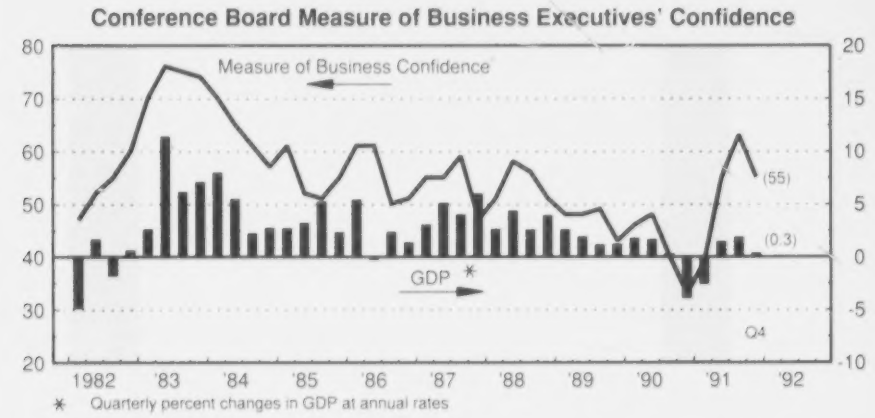


* Core employment-cost inflation = wages and salaries of private sector workers excluding sales personnel (i.e., excluding the benefits that are part of the ECI).

Conference Board Stat File

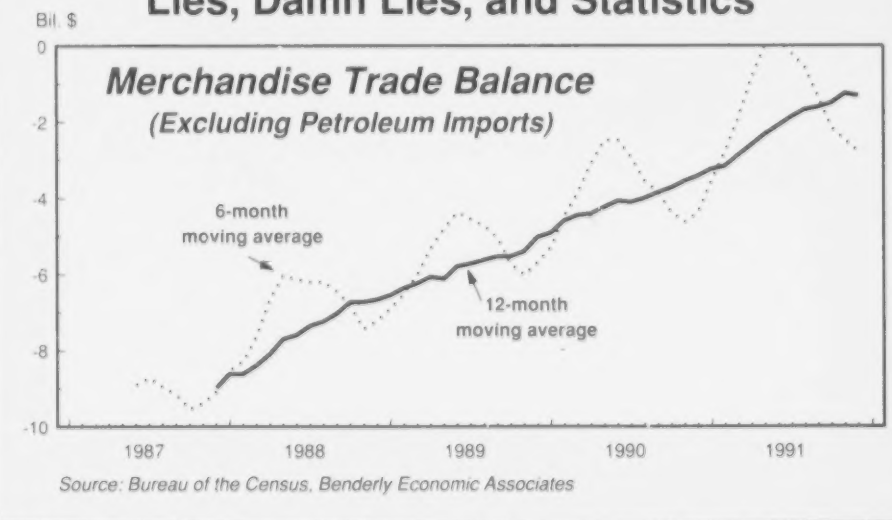
Confidence





Consumer expectations weaken further.

Chart of the Month



The media regularly make a big fuss about monthly changes in the merchandise trade deficit. But those changes are so volatile they in fact provide virtually no useful information about our trade performance. Accordingly, to bring out the underlying changes, economists often use six-month moving averages to smooth the data. However, Jason Benderly has uncovered a further statistical problem with this series: As the chart shows, the smoothed seasonally adjusted data are also misleading in that they contain a pronounced seasonal pattern. That's right, a seasonal pattern in the seasonally adjusted *series. In the end, then, to gain an accurate perspective on the* steady, uninterrupted improvement *that's been taking place in our trade performance, we have to eschew the statistical adjustments to the monthly data and revert to the old-fashioned same-month-year-ago changes. In this case, as the bold line on the chart shows, that seems to be the only way to know what's going on.*

Inside the Crystal Ball

		UCLA	MERRILL L.	DU PONT	GEORGIA ST.	NORTHERN TRUST	CONF. BOARD	EATON	L.H. MEYER	DRI	WEFA	MICHIGAN - RSQE		
Date of Forecast		Feb.	Feb.	Feb.	Feb.	Feb.	Feb.	Feb.	Feb.	Feb.	Feb.	Feb.		
Gross Domestic Product		(Quarter-to-quarter percent change, constant dollars, seasonally adjusted at annual rates)												
		%	%	%	%	%	%	%	%	%	%	%		
Actual	1991 3Q	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	3Q 1991	Actual
	4Q	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	4Q	
Forecast	1992 1Q	-1.0	-1.0	0.5	-0.5	0.3	1.4	2.0	0.4	-0.0	-1.1	-0.0	1Q 1992	Forecast
	2Q	0.4	2.4	2.3	2.0	2.3	1.8	3.5	2.1	2.8	2.8	1.6	2Q	
	3Q	2.7	3.4	3.6	3.6	3.3	2.4	3.9	2.9	3.9	3.6	3.9	3Q	
	4Q	3.5	3.2	3.6	2.8	2.9	2.3	3.7	2.9	3.7	3.2	4.6	4Q	
	1993 1Q	3.6	3.1	3.8	3.5	2.9	1.9	3.3	2.7	3.8	2.9	4.6	1Q 1993	
	2Q	3.3	2.7	3.7	2.4	3.0	2.2	2.1	2.6	3.6	3.0	3.8	2Q	
	3Q	3.1	2.9	3.5	2.6	2.9	2.7	2.4	2.7	3.1	3.0	3.1	3Q	
	4Q	3.0	2.5	3.6	2.1	2.5	2.4	3.9	2.6	2.5	2.8	3.2	4Q	
	1994 1Q	2.9					2.2			2.8	2.7		1Q 1994	
Inflation (Deflator)		(Percent change from same quarter one year earlier)												
Actual	1991 4Q	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	1991 4Q	Actual
Forecast	1992 4Q	2.0	3.6	3.4	2.4	3.1	2.8	2.7	2.2	3.4	2.2	2.6	1992 4Q	Forecast
	1993 4Q	3.2	3.6	3.6	3.3	3.3	3.3	2.8	2.5	3.1	3.3	2.8	1993 4Q	
30-Yr Treasury Bond Rate		(Percent, quarterly)												
Actual	1991 3Q	8.2	8.2	8.2	8.2	8.2	8.2	8.2	8.2	8.2	8.2	8.2	3Q 1991	Actual
	4Q	7.9	7.9	7.9	7.9	7.9	7.9	7.9	7.9	7.9	7.9	7.9	4Q	
Forecast	1992 1Q	7.7	7.7	7.5	7.6	7.6	7.5	7.7	7.5	7.6	7.5	7.6	1Q 1992	Forecast
	2Q	7.7	7.6	7.3	7.6	7.3	7.5	8.0	7.3	7.7	7.5	7.5	2Q	
	3Q	7.6	7.8	7.2	7.9	7.3	7.5	8.0	7.2	7.8	7.6	7.5	3Q	
	4Q	7.7	8.0	7.3	8.0	7.4	7.8	8.0	7.2	7.9	7.8	7.4	4Q	
	1993 1Q	7.8	8.0	7.4	8.3	7.5	7.8	7.9	7.2	8.1	8.0	7.6	1Q 1993	
	2Q	7.8	8.1	7.4	8.4	7.6	8.1	7.9	7.1	8.1	8.1	7.5	2Q	
	3Q	7.9	8.1	7.5	8.4	7.7	8.1	7.9	7.0	8.2	8.2	7.5	3Q	
	4Q	8.2	8.2	7.5	8.6	7.8	8.1	7.9	6.9	8.3	8.3	7.5	4Q	
	1994 1Q	8.3					8.1			8.2	8.4		1Q 1994	
Unemployment Rate		(Percent, quarterly)												
Actual	1991 4Q	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	4Q 1991	Actual
Forecast	1992 4Q	7.5	6.8	6.6	7.2	6.8	6.8	6.6	6.8	6.7	7.4	6.9	4Q 1992	Forecast
	1993 4Q	6.8	6.3	6.2	6.9	6.4	6.8	6.3	6.0	6.0	6.9	6.1	4Q 1993	
	1994 1Q	6.7					6.8			5.9	6.8		1Q 1994	

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